

Message Text

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SUBJ: RESOLUTIONS OF GOVERNORS OF ARAB CENTRAL BANKS

1. MEETING OF ARAB CENTRAL BANK GOVERNORS HELD IN BAGHDAD
FEB 22-24 ISSUED FOLLOWING STATEMENT FEB 25.

2. GOVERNORS CONSIDERED ESTABLISHED OF ARAB MONETARY FUND
(AMF) AND INTERNATIONAL MONETARY DEVELOPMENTS WITH SPECIAL
EMPHASIS ON RECOMMENDATIONS OF INTERIM COMMITTEE ON THE
REFORM OF WORLD MONETARY SYSTEM AND THE JOINT IMF-WORLD
BANK DEVELOPMENT COMMITTEE. CENTRAL BANK OF EGYPT SUBMITTED
A MEMORANDUM ON MOST APPROPRIATE MEANS OF RECYCLING AND
SECURING ARAB FUNDS.

3. CONCERNING ESTABLISHMENT OF AMF, GOVERNORS DISCUSSED
MEMORANDUM SUBMITTED BY ARAB ECONOMIC UNITY COUNCIL (AEUC)
SECRETARIAL GENERAL AND RESOLVED TO ESTABLISH AN AMF AT
CAPITAL OF AN EQUIVALENT IN ARAB ACCOUNTING DINAR OF
750 MILLION UNITS OF SDR'S, TO SPECIALIZE MAINLY IN
EXTENDING AID TO MEMBER STATES SUSTAINING BALANCE OF
PAYMENT DIFFICULTIES AND EXTENDING LOANS AT EASY TERMS
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TO DEFICIT MEMBER COUNTRIES, SO AS TO SECURE FOR ALL
MEMBERS BALANCED ECONOMIC AND SOCIAL DEVELOPMENT. IT

WAS ALSO RESOLVED TO SET UP A COMMITTEE COMPRISING A NUMBER OF GOVERNORS TO UNDERTAKE, TOGETHER WITH THE SECRETARIAL GENERAL AND WITH THE ASSISTANCE OF ARAB AND WORLD EXPERTS THE FORMULATION OF A DRAFT AMF AGREEMENT, TO BE SUBMITTED TO AN EXTRAORDINARY MEETING OF THE ARAB CENTRAL BANK GOVERNORS SCHEDULED NO LATER THAN AUGUST 15, 1975.

4. REGARDING INTERNATIONAL CONDITIONS AND DEVELOPMENTS WITHIN THE INTERNATIONAL MONETARY SYSTEM, GOVERNORS HELD GENERAL DISCUSSIONS ON RESERVES EMANATING FROM THE SALE OF DEPLETABLE ASSETS WHICH NECESSITATED A SECURITY FOR MAINTENANCE OF THEIR PURCHASING POWER AND THEIR ACQUISITION OF SATISFACTORY RETURNS THROUGH ANY PROPOSAL TO BE SUBMITTED FOR THE UTILIZATION OF SUCH RESERVES. THEY ALSO NOTED THAT SUCH RESERVES SHOULD BE UTILIZED ON BASIS OF SPECIFIC PRIORITY, NAMELY: INTERNAL DEVELOPMENT, NATIONAL (PAN-ARAB) DEVELOPMENT, REGIONAL DEVELOPMENT AND THIRD WORLD DEVELOPMENT. GOVERNORS CONFIRMED THAT PROBLEMS INHERENT IN INTERNATIONAL MONETARY SYSTEM DID NOT STEM FROM CIRCULATION OF SUCH RESERVES AND THAT AS THOSE PROBLEMS HAD EMERGED LONG BEFORE INCREASES IN OIL PRICES; THEY COULD IN NO WAY BE ATTRIBUTED TO THEM AS CERTAIN PARTIES DID IN THEIR ATTEMPT TO RELIEVE THEMSELVES OF INTERNATIONAL RESPONSIBILITY. THE PROBLEMS RESULTED FROM ADOPTION BY MAJOR INDUSTRIAL COUNTRIES OF SUCH INTERNAL POLICIES INVOLVING INFLATIONARY AND RECESSIONARY EFFECTS AS HAD HAD PASSIVE REPERCUSSIONS ON THE INTERNATIONAL SITUATION. THE GOVERNORS NOTED THAT THERE WAS A URGENT NEED FOR PROMPTLY CREATING A NEW MONETARY SYSTEM TO TAKE INTO CONSIDERATION WORLD-WIDE DEVELOPMENTS THAT HAD TAKEN PLACE SINCE THE EMERGENCE OF BRETTEN WOODS SYSTEM IN 1944, NOTABLY IN RESPECT OF DEVELOPING COUNTRIES' ROLE AND EXPANSION OF TRADE EXCHANGE AMONG COUNTRIES WITH DIFFERENT SYSTEMS. THE NEW SYSTEM SHOULD ENVISAGE A SORT OF DISCIPLINARY AND BEHAVIORAL ATTITUDE IN THE IMPLEMENTATION OF DOMESTIC FINANCIAL POLICIES OF THE MAJOR INDUSTRIAL COUNTRIES. THEREFORE, THE NEW SYSTEM SHOULD BE INTERNATIONAL IN THE FULL SENSE
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OF THE WORD, SO AS TO CAPACITATE FOR VARIOUS COUNTRIES INCLUDING THE OIL-PRODUCING, IN PARTICULAR (SIS).

5. SPECIFICALLY, THE GOVERNORS NOTED THAT PROCESS OF REFORMING WORLD MONETARY SYSTEM SHOULD BE MADE AFTER CONSULTATION AMONG ALL COUNTRIES AND WITHIN INTERNATIONAL INSTITUTION, AND THAT DECISIONS SHOULD NOT BE IMPOSED BY A LIMITED NUMBER OF COUNTRIES. THIS PRINCIPLE SHOULD APPLY TO ALL ISSUES UNDER DISCUSSION BY THE INTERIM COMMITTEE AND THE DEVELOPMENT COMMITTEE, INCLUDING MEASURES RELATED

TO GOLD AND THE APPLICATION OF THE LINK BETWEEN SPECIAL DRAWING RIGHTS AND DEVELOPMENT AID, AS THE MOST APPROPRIATE PROCEDURE OF EXTENDING ASSISTANCE TO THE DEVELOPING COUNTRIES SUFFERING FROM SHORTAGE IN THEIR INTERNATIONAL LIQUIDITY. GOVERNORS URGED FOR REVISING IMF MEMBER-STATE QUOTAS AND VOTE ALLOCATION, SO AS TO PROVIDE THE DEVELOPMENT COUNTRIES WITH SUFFICIENT CAPABILITY TO DEFEND THEIR INTERESTS IN WORLD BODIES. WITHOUT THESE GUARANTEES, DEVELOPING COUNTRIES WOULD NATURALLY LOSE CONFIDENCE IN SUCH INSTITUTIONS AND THEIR POLICIES. THE GOVERNORS FIND IT INAPPROPRIATE TO IMPOSE SUCH CONDITIONS OR FINANCIAL BURDENS ON QUOTA INCREASES AS HAD NOT OCCURRED IN RESPECT OF PREVIOUS QUOTA INCREASES.

6. GOVERNORS NOTED THAT THE MONETARY SYSTEM SHOULD ENVISAGE THE LARGEST POSSIBLE STABILITY IN EXCHANGE RATES, ESPECIALLY OF CURRENCIES USED IN INTERNATIONAL EXCHANGE, AND PROVIDE FOR SECURITY AGAINST DAMAGES THAT MIGHT BE SUSTAINED BY DEVELOPING COUNTRIES DUE TO CHANGES IN EXCHANGE RATES. FOUNDATIONS FOR NEW RESERVES WOULD BE FACILITATED BY SUPPORTING THE ROLE OF SPECIAL DRAWING RIGHTS AND CREATING INCENTIVES FOR VARIOUS COUNTRIES TO PURCHASE AND UTILIZE THEM.

7. THE GOVERNORS CONSIDERED MATTERS RELATED TO THE VOTING POWER OF ARAB STATES AND THE FEASIBILITY OF FORMING AN ARAB GROUP WITHIN THE IMF AND WORLD BANK. IT WAS AGREED THAT FURTHER DISCUSSIONS BE HELD ON THIS MATTER. UNTIL SUCH TIME AS THIS WAS ACHIEVED THE CURRENT PROCEDURE OF AFFILIATION WITH GROUPS WOULD BE MAINTAINED.
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THIS WOULD BE THE CASE IN VIEW OF PROSPECTING CHANGES IN THE ARAB STATES' VOTING POWER AS A RESULT OF RAISING THE SHARE OF THE OIL-EXPORTING COUNTRIES.
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